

Options Group Holdings Limited
Annual report and financial statements
for the 46 week period ended 31 March 2010

Registered number 06909044

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Options Group Holdings Limited

Annual report and financial statements for the 46 week period ended 31 March 2010

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Options Group Holdings Limited

Directors and advisors

Directors

A Lord
G Baker
S Green

Secretary

S Green

Registered office

Turnpike Gate House
Alcester
Alcester Heath
Warwickshire
B49 5JG

Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Principal bankers

Barclays Bank PLC
Barclays Commercial Bank
Level 6, 1 Churchill Place
London
E14 5HP

Options Group Holdings Limited

Directors' report

for the 46 week period ended 31 March 2010

The Directors present their report and the audited consolidated financial statements of Options Group Holdings Limited ('the Company') and its subsidiaries (together 'the Group') for the 46 week period ended 31 March 2010

Date of incorporation

The Company was incorporated on 18 May 2009. The Company did not begin trading until 2 July 2009 when it acquired 100% of the Ordinary share capital of New Options Limited, New Options (2) Limited, New Options (3) Limited, Wider Options Limited, Options The Thicket Limited, Wider Options (3) Limited, Young Options College Limited and Options Central Services Limited. At the same date Options Central Services acquired the trade and assets of Service Options (1) Limited and Service Options (2) Limited, Options The Thicket Limited acquired the trade and assets of Wider Options (2) Limited and Young Options College Limited acquired the trade and assets of Young Options Limited, Family Options Limited and Further Options (Central) Limited.

This report and the financial statements have been prepared for the 46 week period from the date of incorporation to 31 March 2010.

Principal activities

The principal activities of the Group (which comprises the Company and its subsidiaries as set out above) during the year were that of specialist services young people with autistic spectrum disorders (ASD) and behavioural, emotional and social difficulties (BESD).

The registered number of the Company is 06909044.

Review of the business and future developments

Options Group is a proactive and forward-thinking organisation providing specialist integrated services for children, young people and adults with autistic spectrum disorders (ASD) and behavioural, emotional and social difficulties (BESD).

The Group has grown steadily and is now trusted by more than 60 local authorities to provide specialist care, education and therapy to over 200 children, young people and adults at any one time.

On the 2 July 2009 the Options Group Holdings Limited group (the "Group") completed a restructuring and management buyout, this resulted in a number of significant one off restructuring costs including the write off of substantial non-trading balances. These costs are non-recurring and future years results will reflect the underlying performance of the Group.

In September 2010 the Group agreed further long term loan facilities including the provision of specific additional funding for future developments.

Future Outlook

The Group has enjoyed significant growth in both turnover and profitability over the period under review. Since the completion of the restructuring significant emphasis has been placed on

- Operational efficiency improvements to ensure continued high quality value for money service delivery,
- Investment in services and staff development to further build on the high quality outcomes the group delivers, and
- Increasing market awareness of the Group's services

Options Group Holdings Limited

Directors' report for the 46 week period ended 31 March 2010 (continued)

Key Performance Indicators (KPIs)

The Board and management monitor the business performance of the Group and measure it against strategic objectives using key performance indicators. The main KPIs include

- occupancy levels,
- number of referrals and pipeline activity, and
- staffing levels

all of which are reviewed on a regular formal basis. Key Financial Performance Indicators for 2010 were as follows

KPI	46 week period 2010 £'000	Narrative
Turnover	20,488	Extracted from the financial statements. Turnover for the period was ahead of the Board's expectations, primarily through growth in the number of placements secured.
EBITDA	2,765	Group operating profit, adding back depreciation, amortisation and exceptional costs. EBITDA for the period was in line with the Board's expectations.
Operating Cash Flow before tax	443	Operating cash flow before interest, capital expenditure and tax. Given the restructure and cash flows associated with the acquisitions, the result was in line with expectations.

Business environment and strategy

The Group operates in a highly regulated environment and the ability to comply with such regulations and deliver a high quality service is key to the operational success of the business. Options Group always focuses on delivering high quality, value for money, outcome focussed services, which means that the Group is extremely well aligned with the increasing need to demonstrate quality and cost efficiency in the market place.

The availability of capital development funding also means the Group can respond to the commercial opportunities that are likely to be available in the market place over the next 12 – 18 months. Significant emphasis is being placed on developing strong commercial relationships with local authorities.

Options Group Holdings Limited

Directors' report for the 46 week period ended 31 March 2010 (continued)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Management reviews risk formally and appropriate processes are put in place to monitor and mitigate them.

Key operational risks affecting the Company are set out below.

Quality of service and compliance

The Company operates in a highly regulated environment and compliance with such regulations is key to the operational success of the business. The Group is registered with various regulatory bodies and is subject to continuous review by these bodies. Management closely monitors performance in this area and has a structured system in place throughout the organisation to ensure compliance.

Health and Safety

The Company is subject to various health and safety requirements and has put in place individuals to monitor compliance with health and safety laws and regulations.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in prices, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring these risks.

Price risk

The Company focuses on demonstrating value for money to the local authorities and outcomes achieved with the young people to mitigate price risk.

Funding risk

The debt facilities arranged by the Group contain a suite of financial covenants covering minimum levels of financial performance. The Group has in place appropriate short and medium term reporting and forecasting systems that assist the Board in making a balanced assessment of the ability of the Group to meet its financial and reporting obligations to both lenders and investors as they fall due.

Liquidity

The Group is supported by a committed working capital facility. Debt facilities are structured to ensure that the Group has sufficient cash flow headroom to meet its obligations and deliver its strategic growth objectives.

Options Group Holdings Limited

Directors' report for the 46 week period ended 31 March 2010 (continued)

Principal risks and uncertainties (continued)

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash, which are subject to variations in interest rates. The Company has a policy of maintaining debt at a fixed rate above LIBOR to provide a degree of certainty over future cash flows. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Creditors' payment policy

The Company has relatively few external creditors, however, for all external suppliers suitable terms and conditions are agreed for business transactions with the supplier, once such terms are agreed it is the Group's policy to pay in accordance with contractual and other legal obligations. This payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. The average creditor days for the Group are 27 days.

Financial instruments

The Group's financial instruments comprise borrowings, cash and liquid resources, and other items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

Directors

The directors who held office during the year, and subsequently, were as follows

A Lord (appointed 2 July 2009)
G Baker (appointed 19 April 2010)
S Green (appointed 2 July 2009)
C Firman (appointed 2 July 2009, resigned 31 July 2010)
S Bradshaw (appointed 3 September 2009)
T Price (appointed 18 May 2009, resigned 2 July 2009)
G Price (appointed 18 May 2009, resigned 2 July 2009)

Employees

The directors recognise that the success of the business is wholly dependent upon the dedication of the employees and the quality of the service provided. The Group promotes continuous learning and career development for all employees and the well being of the Group's staff and their entitlement to a safe and rewarding working environment are key considerations of the Board. It is the Group's policy to consult and discuss with employees matters that are likely to affect the employee's interests through regular bulletins and briefings. These seek to achieve a common awareness of the Group's performance and economic factors affecting the Group.

Options Group Holdings Limited

Directors' report for the 46 week period ended 31 March 2010 (continued)

Employees (continued)

The Group operates within an equal opportunity recruitment selection process which states that we do not discriminate on the grounds of race, gender, sexual orientation or disability. The Group works towards this policy when recruiting for all positions and thorough consideration is given as to the suitability of the individual for the role. Arrangements are made wherever possible for retraining employees who become disabled to enable them to perform work identified as appropriate.

Results and dividends

The results for the period are shown in the profit and loss account on page 11. No dividend was paid or proposed.

The Directors have formed a judgement at the time of approving the financial statements that both the Company and the Group have adequate resources available to continue operating and to discharge all financial obligations as they fall due for the foreseeable future from the date of approval of the financial statements. For this reason, the going concern basis has been adopted in preparing the financial statements.

Political and charitable donations

The Group made no political or charitable donations during the period.

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclosure with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Options Group Holdings Limited

Directors' report for the 46 week period ended 31 March 2010 (continued)

Directors' indemnity

As permitted under the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was taken out during the period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are not aware. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP were appointed as auditors during the period. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the next annual general meeting.



On behalf of the Board
S Bradshaw
Director
25 November 2010

Options Group Holdings Limited

Independent auditors' report to the members of Options Group Holdings Limited

We have audited the Consolidated and parent Company financial statements (the "financial statements") of Options Group Holdings Limited for the year ended 31 March 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2010 and of the Group's loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Options Group Holdings Limited

Independent auditors' report to the members of Options Group Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Teager (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

26 November 2010

Options Group Holdings Limited

Consolidated profit and loss account for the 46 week period ended 31 March 2010

		46 week period ended 31 March 2010
	Note	£'000
Turnover	2	20,488
Cost of sales		(14,856)
Gross profit		5,632
Administrative expenses excluding depreciation, amortisation and other exceptional costs		(2,867)
Earnings before Interest, Taxation, Depreciation, Amortisation and Other exceptional costs		2,765
Depreciation	9	(1,587)
Amortisation	8	(4,099)
Other exceptional costs	3	(2,133)
Group operating loss	3	(5,054)
Interest payable and similar charges	6	(2,381)
Loss on ordinary activities before taxation		(7,435)
Tax credit on loss on ordinary activities	7	1,471
Loss for the financial period	16	(5,964)

The results derive wholly from acquired continuing operations of the Group

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents

The Company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented

Options Group Holdings Limited

Consolidated balance sheet as at 31 March 2010

	Note	31 March 2010 £'000
Fixed assets		
Intangible assets	8	12,297
Tangible assets	9	37,047
		49,344
Current assets		
Debtors	11	6,496
Cash at bank and in hand		29
		6,525
Creditors amounts falling due within one year	12	(61,333)
Net current liabilities		(54,808)
Net liabilities		(5,464)
Capital and reserves		
Called up share capital	15	500
Profit and loss account	16	(5,964)
Total shareholders' deficit	22	(5,464)

The financial statements on pages 11 to 34 were approved by the Board of Directors on 25 November 2010 and were signed on its behalf by



S Green
Director

Options Group Holdings Limited

Company balance sheet as at 31 March 2010

	Note	31 March 2010 £'000
Fixed assets		
Investments	10	615
Current assets		
Debtors	11	10,257
		10,257
Creditors, amounts falling due within one year	12	(12,022)
Net current liabilities		(1,765)
Net liabilities		(1,150)
Capital and reserves		
Called up share capital	15	500
Profit and loss account	16	(1,650)
Total shareholders' deficit		(1,150)

The financial statements on pages 11 to 34 were approved by the Board of Directors on 25 November 2010 and were signed on its behalf by

S Green
Director

Registered number 6909044

Options Group Holdings Limited

Consolidated cash flow statement for the 46 week period ended 31 March 2010

	Note	46 week period ended 31 March 2010 £'000
Cash outflow from operating activities	19	443
Returns on investments and servicing of finance		
Interest paid		(1,280)
Net cash outflow from returns on investments and servicing of finance		(1,280)
Taxation		80
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(747)
Sale of tangible fixed assets		70
Net cash outflow from capital expenditure and financial investment		(677)
Acquisitions – purchase of subsidiary undertakings		(7,415)
Net overdrafts acquired		(1,068)
Net cash outflow before financing		(9,917)
Financing		
Funds from senior loan facility		6,997
Finance costs paid		(1,085)
Repayment of senior debt		(1,613)
Net cash inflow from financing		4,299
Decrease in cash in the period		(5,618)

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. The following accounting policies are applied consistently within the Group. A summary of the more important accounting policies is set out below.

Basis of preparation and consolidation

The financial statements have been prepared on the going concern basis, under the historic cost convention, modified to include the revaluation of certain assets.

The Group financial statements include the results of Company and all of its subsidiary undertakings, made up to 31 March 2010. The acquisition method of accounting for acquired companies has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included from the effective date control passes to the Company. Intra-Group sales, profits and balances are eliminated fully on consolidation. The Company is exempt under the terms of Financial Reporting Standard 8 "Related party disclosures" from disclosing related party transactions with entities that are wholly owned within the Options Group Holdings Limited Group.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

Going Concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support provided to the Group by the lender. Subsequent to the year end the Group agreed further long term loan facilities including the provision of specific additional funding for future developments. Further detail is set out in Note 24 to these financial statements.

Changes in accounting policies

In accordance with Financial Reporting Standard 18 "Accounting Policies" the Board regularly reviews the Company's accounting policies to ensure that they remain appropriate.

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

1 Accounting policies (continued)

Intangible assets

Goodwill arising on consolidation represents the excess of the fair value of the consideration for subsidiaries and business purchases over the fair values of the net assets acquired. Goodwill arising on acquisitions is capitalised and stated at historical cost less any provisions for amortisation and impairment.

The Company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Purchased goodwill (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to £nil by equal annual instalments over its estimated useful life, presently three years. Amortisation of goodwill is provided from the date of acquisition.

Investments

Investments are carried at cost less provision for impairment.

Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost, being the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Properties are subsequently revalued by external independent valuers on a regular basis using open market value, less subsequent depreciation so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the income statement. Surpluses on revaluation are recognised in the revaluation reserve.

Depreciation is provided to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Freehold property	-	2% straight line
Office equipment	-	25% straight line
Furniture and fixtures	-	25% straight line
Motor Vehicles	-	25% straight line

No depreciation is provided on freehold land or assets in the course of construction which are not in use at the period end.

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

1 Accounting policies (continued)

Pensions

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company in independently administered funds. The annual contributions payable are charged to the profit and loss account.

Certain of the subsidiaries contribute to the Teachers Pension Scheme (TPS) for teaching staff who are members of the scheme. The TPS is a separate government funded scheme. Accordingly, the Company has accounted for its contributions to the scheme as a defined contribution scheme. The annual contributions payable are charged to the profit and loss account.

Taxation

Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis. The directors believe it is appropriate to continue to recognise the deferred tax assets in anticipation of continued profitable trading.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Borrowings

All borrowings are initially stated at fair value of the consideration received after the deduction of wholly attributable finance costs. In accordance with Financial Reporting Standard 4 "Capital instruments", these costs are charged to the profit and loss account over the estimated life of the relevant borrowings.

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

2 Turnover

Turnover shown in the profit and loss account represents amounts invoiced for services provided in the period. All turnover is derived from its principal activity of a range of services for young people with complex autistic spectrum disorders. All operations are within the United Kingdom. Where amounts are invoiced in advance or arrears, income recognition is adjusted to include only the amounts relating to services provided in the current period, with accrued or deferred revenue being recognised on the balance sheet within debtors and creditors as appropriate.

3 Operating loss

	46 week period ending 31 March 2010
	£'000
<hr/>	
Operating profit is stated after charging/(crediting)	
<i>Auditors' remuneration</i>	
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	9
<i>Fees payable to the Company's auditor for other services</i>	
- The audit of the Company's subsidiaries, pursuant to legislation	52
- Services relating to taxation	10
- All other services	19
<i>Depreciation of tangible fixed assets</i>	
- Owned assets	1,587
Loss on disposal of fixed assets	33
Amortisation of intangible assets	4,099
Other exceptional costs	2,133
Other operating costs	2,744
Total operating costs	10,686

Other exceptional costs are costs relating to the restructure of the Group being mainly severance costs, legal and professional fees

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

4 Staff numbers and costs

The average monthly number of persons (including Directors) employed by the Group during the period was as follows (there are no employees of the Company)

	46 week period ended 31 March 2010
	Number of employees
Care and education	665
Administration	128
	793

The aggregate payroll costs of these persons were as follows

	£'000
Wages and salaries	12,762
Social security costs	1,188
Other pension costs (note 18)	197
	14,147

5 Remuneration of Directors

	46 week period ended 31 March 2010
	£'000
Directors' emoluments, including pension contributions	826

Included with Directors emoluments is £14,850 paid in respect of Company pension contributions to money purchase schemes for three of the directors

The highest paid Director received emoluments of £280,837 during the period. No amounts were accruing in respect of pension contributions for this director at the period end

Included within other exceptional costs (note 3) were costs of £300,000 representing severance payments to the previous directors of the Company and its subsidiaries

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

6 Interest payable and similar charges

	46 week period ended 31 March 2010
	£'000
Bank loans and overdrafts	1,297
Financing costs	1,084
	2,381

7 Tax on loss on ordinary activities

	46 week period ended 31 March 2010
	£'000
Current tax	
Current tax on income for the period	(52)
Total current tax for the period	(52)
Deferred tax credit (see note 13)	
(Reversal)/origination of timing differences	(1,419)
Tax (credit) on loss on ordinary activities	(1,471)

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

7 Tax on loss on ordinary activities (continued)

Factors affecting the tax charge for the current period

	46 week period ended 31 March 2010
	£'000
Current tax reconciliation	
Loss on ordinary activities before tax	(7,435)
Current tax credit at 28%	(2,081)
Effects of	
Expenses not deductible for tax purposes	1,909
Capital allowances in excess of depreciation	96
Other timing differences	(135)
Losses carried forward	139
Current tax credit for period (see above)	(52)

Deferred tax assets are recognised losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £2,079,024 in respect of losses amounting to £7,425,086 that can be carried forward against future taxable income. There were no deferred tax charges during the period.

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

8 Intangible assets

Group	Goodwill
	£'000
Cost	
At incorporation	-
Additions – acquisition (note 14)	16,396
At 31 March 2010	16,396
Accumulated amortisation	
At incorporation	-
Charge for the period	4,099
At 31 March 2010	4,099
Net book value	
At 31 March 2010	12,297
At incorporation	-

The directors consider each acquisition separately in determining the amortisation period of any goodwill that arises. Goodwill is written off over 3 years, being its expected useful economic life (Further details of the subsidiaries acquired can be found in notes 10 and 14)

Company

The Company did not have any intangible assets

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

9 Tangible assets

Group	Freehold land and buildings	Office Equipment	Assets in the course of con- struction	Furniture & Fixtures	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At incorporation	-	-	-	-	-	-
On acquisition	36,363	671	-	818	138	37,990
Additions	256	135	32	145	179	747
Disposals	-	-	-	-	(110)	(110)
At 31 March 2010	36,619	806	32	963	207	38,627
Accumulated depreciation						
At incorporation	-	-	-	-	-	-
Charge for the period	688	377	-	487	35	1,587
Disposals	-	-	-	-	(7)	(7)
At 31 March 2010	688	377	-	487	28	1,580
Net book value						
At 31 March 2010	35,931	429	32	476	179	37,047
At incorporation	-	-	-	-	-	-

The net book value of land and buildings includes £670,000 in respect of freehold land which is not depreciated

Company

The Company did not hold any tangible fixed assets at any time during the period

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

10 Investments

Company	Interests in subsidiary undertakings
	£000
Cost	
At incorporation	-
Additions	615
At 31 March 2010	615
Provisions	
At incorporation and at 31 March 2010	-
	-
Net book value	
At 31 March 2010	615
At incorporation	-

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

10 Investments (continued)

Subsidiary undertaking	% holding	Nature of business
New Options Limited	100	Children's home and school for young people with complex autistic spectrum disorders
New Options (2) Limited	100	Children's home and school for young people with complex autistic spectrum disorders
New Options (3) Limited	100	Children's home and school for young people with complex autistic spectrum disorders
Wider Options Limited	100	Residential care and education for children and young adults with severe learning disabilities
Options The Thicket Limited	100	Provision of services for individuals with autistic spectrum disorders
Wider Options (3) Limited	100	Residential care and education for children and young adults with severe learning disabilities
Young Options College Limited	100	Residential care and education for children and young adults with severe learning disabilities and behavioural, emotional and social difficulties (BESD)
Options Central Services Limited	100	Central office services to fellow subsidiaries
Family Options Limited	100	Dormant
Young Options Limited	100	Dormant
Newco Options (2) Limited	100	Dormant

All shares held in subsidiaries are ordinary shares. All of the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales.

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

11 Debtors

	Group	Company
	31 March 2010	31 March 2010
	£'000	£'000
Trade debtors	4,349	-
Amounts owed by subsidiary undertakings	-	10,245
Other debtors	603	-
Prepayments and accrued income	125	12
Deferred tax asset (see note 13)	1,419	-
	6,496	10,257

Amounts owed from related undertakings were unsecured, interest free and repayable on demand

12 Creditors: amounts falling due within one year

	Group	Company
	31 March 2010	31 March 2010
	£'000	£'000
Bank loans and overdrafts	54,789	11,346
Trade creditors	737	60
Other creditors	81	146
Corporation tax	-	-
Other taxes and social security	590	87
Accruals and deferred income	5,136	383
	61,333	12,022

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

12 Creditors: amounts falling due within one year (continued)

Maturity of debt

	Overdrafts	Bank Loans	Total
	31 March 2010	31 March 2010	31 March 2010
Group	£'000	£'000	£'000
Within one year	5,647	49,142	54,789

	Overdrafts	Bank Loans	Total
	31 March 2010	31 March 2010	31 March 2010
Company	£'000	£'000	£'000
Within one year	4,349	6,997	11,346

The bank loans are secured by way of fixed and floating charges over the assets of the subsidiaries of the Group

Interest on the bank loans and overdrafts are charged at LIBOR plus 2.5%. Additional mandatory costs of 0.0063% are charged on the bank loans

The overdraft fell due for repayment on 30 June 2010 and the bank loans fell due for repayment on 31 December 2010. The Group has been negotiating new finance arrangements which were secured subsequent to the period end. Further details are set out in note 24

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

13 Deferred taxation

	Group	Company
	31 March 2010	31 March 2010
	£'000	£'000
Deferred taxation asset	1,419	-

The deferred taxation asset at 31 March 2010 is held within debtors (see note 11)

Group	£'000
The movements in the deferred tax asset were as follows	
At incorporation	-
On acquisition	-
Credit to the profit and loss for the period (note 7)	1,419
At the end of the period	1,419

The elements of deferred taxation are as follows

	31 March 2010
	£'000
Difference between accumulated depreciation and amortisation and capital allowances	(131)
Other timing differences	1,550
Undiscounted provision – deferred tax asset	1,419

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

13 Deferred taxation (continued)

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

If it had been enacted at the balance sheet date, the effect of the changes enacted in the Finance (No 2) Act 2010 would be to reduce the deferred tax asset provided at 31 March 2010 by approximately £55,000. This £55,000 decrease in the deferred tax asset would decrease profit for the year by £55,000. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 28 per cent to 27 per cent with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1 per cent per year to 24 per cent by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27 per cent to 24 per cent, if these applied to the deferred tax balance at 31 March 2010, would be to reduce the deferred tax asset by approximately £165,000 (being £55,000 recognised in 2012, £55,000 recognised in 2013 and £55,000 recognised in 2014).

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

14 Acquisitions

On 2 July 2009 Options Group Holdings Limited acquired 100% of the Ordinary share capital of New Options Limited, New Options (2) Limited, New Options (3) Limited, Wider Options Limited, Options The Thicket Limited, Wider Options (3) Limited, Young Options College Limited and Options Central Services Limited. At the same date Options Central Services acquired the trade and assets of Service Options (1) Limited and Service Options (2) Limited, Options The Thicket Limited acquired the trade and assets of Wider Options (2) Limited and Young Options College Limited acquired the trade and assets of Young Options Limited, Family Options Limited and Further Options (Central) Limited.

	Book value	Fair value adjustments	Fair value
	£000	£000	£000
Tangible fixed assets	39,969	(1,979)	37,990
Debtors	13,503	(3,657)	9,843
Creditors	(4,113)	-	(4,113)
Bank loans	(52,201)	8,443	(43,758)
Net liabilities	(2,863)	(5,636)	(8,481)
Goodwill			16,396
Purchase consideration and acquisition costs			7,915
<i>Consisting of</i>			
Cash			7,300
Shares			500
Acquisition costs			115

Fair value adjustments consist of the following

A full valuation of the freehold properties was carried out by GVA Grimley Limited Chartered Surveyors as at 2 July 2009 based on an Existing Use Value. Certain of the properties were found to be impaired and have been written down accordingly and certain of the properties were revalued upwards.

As a result of the restructure a number of related parties went into administration and certain balances owing to the companies from these parties were unrecoverable and were subsequently written off.

The acquired undertakings made a loss of £288,596 from the beginning of its financial year to the date of acquisition. In the previous financial year commencing on 1 April 2008 the loss was £4,269,502.

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

15 Called up share capital

	Allotted and fully paid	
	31 March 2010	31 March 2010
	Number	£'000
A Ordinary shares of £0 01 each	700	-
B Ordinary shares of £0 01 each	190	-
C Ordinary shares of £0 01 each	50,000,500	500
Ordinary shares of £0 01 each	50,001,390	500

During the period 50,000,500 Ordinary C class share were allotted at par for a nominal value of £500,005 00, 700 Ordinary A class shares were allotted at par for a nominal value of £7 00 and 190 Ordinary B class share were allotted at par for a nominal value of £1 90

The Ordinary C class shares carry no rights to participate in any dividend and no voting rights. The Ordinary A class shares carry 95% of the voting rights and the Ordinary B class share carry the remaining 5%

On a return of capital, sale or winding up the Company's remaining assets after settlement of all remaining liabilities will be distributed to the shareholders in the following proportions, A Ordinary shareholders 70%, B Ordinary shareholders 25%, and C Ordinary shareholders 5%

16 Profit and loss account

	Group	Company
	£'000	£'000
At incorporation	-	-
Loss for the financial period	(5,964)	(1,650)
At 31 March 2010	(5,964)	(1,650)

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

17 Contingent liabilities

Substantially all the assets of the Group are pledged as security under a fixed and floating charge in favour of the lenders under the Group's senior credit facility (see note 12)

18 Pensions

Group and Company

The Group operates defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the Group to the schemes and amounted to £197,064. Contributions amounting to £36,059 were accruing at the period end.

19 Reconciliation of operating profit to net cash outflow from operating activities

	46 week period ended 31 March 2010
	£'000
Operating loss	(5,054)
Depreciation	1,587
Amortisation	4,099
(Increase) in debtors	(3,677)
Increase in creditors and provisions	3,488
Net cash inflow from operating activities	443

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

20 Analysis of net debt

	At incorporation	On Acquisition	Cash Flow	At 31 March 2010
	£'000	£'000	£'000	£'000
Overdrafts	-	(1,068)	(4,550)	(5,618)
Debt due after one year	-	(43,758)	(5,384)	(49,142)
Total	-	(44,826)	(9,934)	(54,760)

21 Reconciliation of net cash flow to movement in net debt

	Note	31 March 2010 £'000
Decrease in cash in the period		(4,550)
Overdrafts acquired		(1,068)
Change in net debt		(5,618)
Net debt acquired on acquisition		(43,758)
Funds from senior loan facility		(6,997)
Repayment of senior debt		1,613
Movement in net debt in the period		(54,760)
Net debt at incorporation	24	-
Net debt at 31 March 2010	24	(54,760)

Repayment of senior debt relates to amounts recovered on an ongoing basis as part of the group restructure and reorganisation, which have been used to repay part of the senior debt facilities acquired

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

22 Reconciliation of movements in total shareholders' deficit

	31 March 2010
	£'000
Loss for the financial period	(5,964)
Ordinary shares issued	500
Net reduction in total shareholders' deficit	(5,464)
Opening total shareholders' deficit	-
Closing total shareholders' deficit	(5,464)

23 Related party transactions

The Directors had the following shareholdings at the year-end

	No of shares	Type of shares	% Shareholding
A Lord	60	Ordinary B Class	6.8
S Green	40	Ordinary B Class	4.5
C Firman	40	Ordinary B Class	4.5
S Bradshaw	50	Ordinary B Class	5.6

During the year £55,208 was paid to S Bradshaw in respect of chairman advisory services

Barclays Bank plc also provides the bank overdraft and loan facilities to the Group. Outstanding amounts at the year are detailed in note 12

24 Post balance sheet events

On 24 September 2010 the Group entered into new financing facilities with Barclays Bank plc. The Group secured £9,600,000 of overdraft facilities, including £3,500,000 for use on development activities, and £48,612,950 of loan facilities

Options Group Holdings Limited

Notes to the financial statements for the 46 week period ended 31 March 2010 (continued)

25 Comparative figures

There are no comparative figures as the Company was incorporated in the period

26 Ultimate controlling party

The ultimate parent undertaking and controlling party of the Group is Options Group Holdings Limited